

Water and Light Advisory Board
April 6, 2010

A meeting of the Water and Light Advisory Board was held Tuesday, April 6, 2010 at 8:00 a.m. at the Utility Services Conference Room, 105 E. Ash St. The meeting was attended by:

Tom Baumgardner, Member
Tom O'Connor, Member
Bob Roper, Member
John Conway, Chair – Excused
Dick Parker, Member – Excused
Mike Schmitz, Interim Water and Light Director
Dave Storvick, Acting Engineering Manager - Water
Ryan Williams, Acting Engineering Manager - Electric
Floyd Turner, Water Operations Manager
Tina Worley, Utility Services Manager
Tad Johnsen, Power Production Superintendent
Dan Stokes, Electric Distribution Manager
Marilyn Thorpe, Administrative Support Supervisor
Stephanie Brown, Administrative Support Assistant

APPROVAL FOR THE MARCH 2, 2010 MEETING MINUTES

The March 2, 2010 meeting minutes were approved by voice vote on a motion by Bob Roper and a second by Tom O'Connor.

DIRECTOR'S REPORT

Mike Schmitz offered the Board members present tickets to the April 6, 2010 Columbia Business Expo provided by Tina Worley.

a) 24" East Transmission Main Report – Mr. Schmitz said the City has contracted with Engineering Surveys and Services to design a water main and perform a preliminary alignment study. He mentioned that Black and Veatch is the sub-contractor for this process. Dave Storvick said the study examined 27 different alignments, which have been reduced to three options on the North side and three on the South side with all routes leading to Shepard water tower. Mr. Schmitz said he anticipates that there will be two or three neighborhood meetings for interested parties to give their input on this process. Mr. Storvick said the project will not involve any Highway 63 right-of-ways. He also said the route selection will be within six months. The funding is in place for this project. Mr. Schmitz said both the north and the south half will be done at the same time. Mr. Schmitz requested that the Board move to direct staff to proceed with the public participation process for the selection of the preferred alignment for the East Transmission Main project. Mr. Roper made a motion for the Board to direct staff to proceed with the process and Mr. O'Connor made a second motion. The motion passed unanimously.

b) Source Water Protection Plan Report – Mr. Schmitz said the name of the group had been changed from a committee to a task force. The new name is Source Water Protection Task Force. Mr. Storvick said the Department of Natural Resources (DNR) made the recommendation to form a task force for the City's water supply. He said the University of Missouri, Water District #9, Missouri Department of Conservation (MDC), and the utility are interested parties for the task force. He said the task force will do the up front work and Water and Light will provide the information. Mr. Schmitz added that we are not mandated to proceed with the recommendation of forming a task force, but it is the right thing to do. Mr. Storvick said that the next step is to find political participants. Floyd Turner said John Williamson, who lives near the river bottoms, has shown some interest in participating. Mr. Schmitz commented that the timeline on this

type of project is long. Mr. O'Connor moved to recommend to the City Council that the representatives of these organizations be considered for the task force and to request that the City Council create the task force and appoint the members. Mr. Roper made a second motion. The motion passed unanimously.

c) Water Business Plan – Mr. Schmitz said John Conway, Floyd Turner, Jim Windsor, Dave Storvick and he created a business plan for the water utility. He said the City Manager has charged Water and Light to have the water utility pay for itself within three years. Mr. Schmitz mentioned that they evaluated more than 30 areas of the water utility. Staff would like the Board to review the business plan. He said next month's meeting will focus on creating a draft budget for Water and Light, and this would be the time to make changes before the City's budget process. A business plan will be compiled for the electric and railroad divisions as well. Mr. Roper said so far the business plan is a good methodical blueprint for going forward. Mr. O'Connor said staff did an excellent job and the plan is very clear. Mr. Schmitz said the City Manager would like to increase the water rates for FY11 and try and hold the electric rates. He said staff will explain the philosophy behind the rates. He said Dick Parker asked for several years of data to analyze the rates. Mr. Roper said it would be helpful to look at generally accepted rate standards from comparable cities. Mr. Schmitz said staff also reviewed the financial study done by Virchow and Krause several years ago. He added that when considering rate changes the economic condition of all citizens will be taken into consideration.

d) Demand Side Management (DSM) Report – Mr. Schmitz said staff compiled a report of the DSM programs following the Renewable Energy Report which will have a public hearing on April 19, 2010. Mr. Parker sent comments. Tina Worley said the City received funding last year to add DSM staff. She said the incentive changes included rebates for commercial HVAC systems, expansion of the Commercial Lighting Improvement Program (CLIP), expansion of the parameters for the Home Performance with Energy Star, and revisions to the loan and rebate programs. She added that Water and Light has worked with an investor owned utility to receive their load data research. The load data research provided will take approximately a month to evaluate, to determine future programming going forward and to verify the suggested new programs from the Integrated Resource Plan (IRP) Mr. Schmitz added that Water and Light may need to perform its own study. Ms. Worley mentioned that Mr. Parker was concerned that the proposed chart did not convey the information clearly and accurately specifically on insulation specifications. She said changes have been added to the chart that may better explain them. Mr. Schmitz said Utility Services has an Access program that can give the energy saving predictions for customers, and Ms. Worley added that she would like to make it available on the City's website for customers to plug in their numbers and receive the energy efficient outcomes. Mr. Schmitz added that none of the incentive amounts are ordinance-based and he is looking for more input on the program, incentives, and how much should be spent. He would also like to establish budgets each year for each program, possibly on a first-come, first-served basis. Mr. Schmitz said one of the items that Mayor Hindman would like to consider is moving the financing of the loans out of the municipal sector and into commercial sectors. Mr. Roper moved to adopt the changes to the DSM program chart and Mr. O'Connor made a second motion. The motion was unanimously approved.

FINANCIAL REPORT

a) Financial Update – Mr. Schmitz said Mr. Windsor had provided a comparison chart for the loans, evaluations, incentives, and rebates for FY08, FY09, and to date FY10 and would like to produce this on a monthly basis. Mr. Baumgardner asked if there was a cost in evaluating the programs in this manner. Mr. Schmitz said there is not and it is just a matter of data entry. Mr. O'Connor asked what would need to happen for someone else to do the loans. Ms. Worley has information from other cities and what they are doing with their loan programs. Mr. Schmitz would like to see the advantages and disadvantages of the loan program for the utility and he will have Mr. Windsor add the amount of funds returning to the City from the loan program. Mr. O'Connor asked to see the energy efficiency benefits as well. Ms. Worley said

surveys are a way the City tracks the energy efficiency benefits from those that do not participate in the loan program.

Mr. Schmitz said Cash and Marketable Securities have gone down mainly due to some major purchases like the Columbia Energy Center and Transload Facility. The finances are still in a strong position. Mr. Schmitz said graphs of the past 20 years produced by Shelley Hey of the Rates Division have shown that the electric utility would be affected by the past seasons like the water utility if it were not for revenues from sales on the power grid. Mr. O'Connor inquired of the electric usage of the water utility's equipment. Mr. Schmitz said the energy efficiency of water distribution's machines will be evaluated in the future and he anticipates changes depending on the length of the pay back on costs.

b) The Board received the monthly financial statements ending February 28, 2010.

Water and Electric Utility combined operations reflect an operating income of \$1,071,009 for the five months ended February 28, 2010; compared to an operating income of \$1,553,983 for the same period last year. This is a decrease of \$482,974.

The Water Utility has an operating income of \$445,158 for the five months ended February 28, 2010; compared to an operating loss of \$827,364 for the same period last year. This is an increase of \$1,272,522 in operating income.

The Electric Utility has an operating income of \$625,851 for the five months ended February 28, 2010; compared to an operating income of \$2,381,347 for the same period last year. This is a decrease in operating income of \$1,755,496.

Operating revenues of the Electric Utility are up \$1,685,804 compared to the same period last year.

Operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are up \$3,155,744. Fuel and Purchased power costs have increased \$2,023,521.

CHAIRMAN'S REPORT

No Report

NEW BUSINESS

Mr. Baumgardner said the City has closed the opening for the director's position; however Mr. Schmitz said applications will continue to be accepted until the position is filled. He said so far there are 20 applications and the selection committee will meet next week.

Mr. Roper inquired of Water and Light Administration and Engineering's moving date into the new City building. Mr. Schmitz said the lease of the current building, which will be negotiated directly with the owner of the building instead of Williams Keepers, will be extended another year and he anticipates May or June of 2011 for the relocation.

OLD BUSINESS

Mr. Schmitz presented an update on the project statuses.

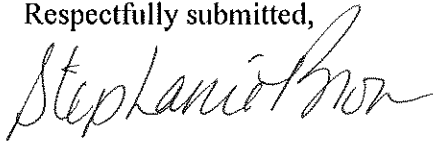
- Old Mill Creek Loop Closure – Bid documents are in Purchasing
- Hillsdale Ground Storage Reservoir – Bid documents are in Purchasing
- Water Treatment Plant Study – Reviewing the visioning questionnaire responses
- Sludge Site Remediation Plan – Request for proposals has been issued

- Iatan II Generation – Scheduled for startup has been delayed to October 2010 for commercial operation
- Prairie States I & II Generation – The Unit I is scheduled for commercial operation in September 2011 and Unit II in May 2012
- South Substation and Line Routing Study – Currently working with Public Works in the Purchasing process and expected closing date is set for June 30, 2010
- Grindstone T2 Failure – Because of a failure of the Grindstone 69/13.8 Kv Transformer T2, customers were transferred to T3. The replacement is scheduled to be shipped at the end of June and should be operational by the summer peak

Next meeting date: Tuesday, May 4, 2010 at 8 a.m. in the Utility Services Conference Room, 105 E. Ash St., Columbia, MO.

The meeting adjourned at 9:20 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephanie Brown". The signature is written in a cursive, flowing style.